

# IRS News Release

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## **IRS Extends Tip Compliance Agreement Program**

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WASHINGTON — The Internal Revenue Service announced today it is indefinitely extending its Tip Rate Determination and Education Program, a voluntary compliance tool that has helped nearly double the reporting of tip income.

Originally developed by the IRS in 1993 for the food and beverage industry, the tip program was set to expire in 2005. Now, the successful program will continue without a sunset date.

“The tip program has proven to be a winner for employers, employees and the IRS. It reduces taxpayer burden and increases compliance. We hope more industries and employees will take advantage of this creative tool,” said Mark W. Everson, IRS Commissioner.

Since the program was introduced, voluntary compliance has significantly increased. In 1995, tip wages reported were \$9.45 billion. For 2003, the amount exceeded \$18 billion. To date over 15,000 employers have entered into tip agreements, representing nearly 47,000 individual establishments.

The tip program offers employers multiple voluntary agreement options designed to provide non-burdensome methods for employers and employees to comply with tip reporting laws. Options include:

- Tip Rate Determination Agreement (TRDA);
- Tip Reporting Alternative Commitment (TRAC);
- EmTRAC – Employer-designed TRAC.

The tip agreements have common elements including:

- Education – To help employers and employees better understand the federal tax laws regarding tips;
- Simplification – To make it easier for tipped employees to calculate their tips, report their tips and pay their taxes;

- Burden Reduction – To reduce the likelihood of and to ease the financial burdens associated with a tip examination.

With the indefinite extension of the tip program, the IRS will administer existing tip agreements without the need for employers to re-sign agreements.

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